



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

August 18, 2014

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FILE COPY

Victoria Reaves, Divisional Vice President
Urban League of Metro St. Louis
3701 Grandel Square
St. Louis, MO 63108

RE: Urban League of Metro St. Louis (Project #2014-AHC07)

Dear Ms. Reaves:

Enclosed is a report of our fiscal monitoring review of Urban League of Metro St. Louis for the period of March 16, 2013 through March 15, 2014. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Urban League of Metro St. Louis. Fieldwork was completed on July 15, 2014.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the Affordable Housing Commission (AHC) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Kenneth M. Stone

Dr. Kenneth M. Stone, CPA, CGMA
Internal Audit Executive

Enclosure

cc: April Ford Griffin, Executive Director, Affordable Housing Commission



CITY OF ST. LOUIS

AFFORDABLE HOUSING COMMISSION (AHC)

**URBAN LEAGUE OF METRO ST. LOUIS
CONTRACTS #59-13G**

**FISCAL MONITORING REVIEW
MARCH 16, 2013 THROUGH MARCH 15, 2014**

PROJECT #2014-AHC07

DATE ISSUED: AUGUST 18, 2014

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
AFFORDABLE HOUSING COMMISSION (AHC)
URBAN LEAGUE OF METRO ST. LOUIS
FISCAL MONITORING REVIEW
MARCH 16, 2013 THROUGH MARCH 15, 2014**

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INTRODUCTION

Background

Contract Name: Urban League of Metro St. Louis

Contract Number: 59-13G

Contract Period: March 16, 2013 through March 15, 2014

Contract Amount: \$176,000 (Total Contract)
\$40,000 (Urban League of Metro St. Louis portion)

The contract provides funds from Affordable Housing Commission (AHC) to five Agencies, which make up the St. Louis Alliance for Homeownership Preservation, which include Urban League of Metro St. Louis (Agency). The Alliance assists clients, at 80% or below the St. Louis median income, with foreclosure prevention. The services provided include initial homeowner screening, budget preparation, financial literacy courses, and intervention/negotiations with lenders to restructure/refinance existing mortgages.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, and local AHC requirements for the period March 16, 2013 through March 15, 2014, and make recommendations for improvements, as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by AHC. Evidence supporting the reports the Agency submitted was tested and other procedures were performed, as considered necessary.

Exit Conference

The Agency was offered the opportunity for an exit conference on July 18, 2014, but the Agency declined.

Management's Responses

Management's responses to the observations and recommendations identified in the draft report were received from the Agency on August 1, 2014. These responses have been incorporated into the report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with local AHC requirements.

Status of Prior Observations

The Agency did not have any previous AHC fiscal monitoring reviews.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented, could assist the Agency in fully complying with local AHC requirements.

1. A need to ensure compliance with all mortgage assistance criteria.
2. Opportunity to submit timely and accurate statistical information.
3. Opportunity to improve procedures for partial payment of mortgage assistance.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. A Need To Ensure Compliance With All Mortgage Assistance Criteria

A review of 4 out of 16 clients who received mortgage assistance was performed to ensure they met the mortgage requirements for assistance. Upon review of the client files, the following issues were revealed:

- The Agency did not submit a list of financial literacy classes (including the date, time, and location) to AHC for all four clients reviewed.
- One of the clients reviewed did not have income to cover debt.

Per Section I (B) of the contract, the Agency is to follow various requirements including the following:

- Submit a list of literacy classes to the AHC, which include the date, time, and location.
- Perform a thorough assessment of client's ability to pay mortgage. This includes ensuring the client's income covers debts.

It appears the Agency did not have adequate controls in place to ensure compliance with all required criteria for mortgage assistance to clients.

If the Agency does not ensure compliance with all criteria to the contract the Agency may not be meeting its objectives. In addition, if the client is unable to pay the mortgage after the one time assistance, then the objectives of the contract are not being met.

Recommendations

It is recommended that the Agency implement procedures to ensure that all the required criteria of the contract are followed, such as a management review or training of staff on the required criteria of the contract.

Management's Responses

- *The Urban League did conduct financial literacy classes throughout the year in 2013/2014 – however the listing of those dates were not forwarded to the AHC. We will submit the class schedule for the 2014/2015 year.*

Continued

- *In servicing the client – The client was threatened with foreclosure and in negotiations with the servicer; the assistance of the Alliance funds enabled the threat to be removed and the client to remain in her home. The need to immediately address the arrearage was critical to the success of the negotiation. Once the immediate was removed, the housing counselor counseled the client regarding adding additional income to the household to prevent further instances of delinquency. The client is currently receiving social security income and indicated in the file that her daughter is helping with household expenses until such time that the client can secure additional funds. The housing counselor also discussed options that the client can pursue considering her disability. The file indicates other low income programs that would help to reduce monthly household expenses and help towards long term sustainability. Another option discussed was to secure a roommate that could bring additional income into the household since the husband abandoned the client and severely impacted her household income.*

Policies and procedures are in place to ensure contract compliance. Client cases are assessed on an individual basis as circumstances are different per household. History of client's ability to cover household expenses are assessed and reviewed during the counseling session with recommendations to the client for suggested changes to coincide with current income levels. We will ensure that long term housing plans are included in all files. We will also submit to the AHC a financial literacy class schedule upon execution of the contract.

2. Opportunity To Submit Timely And Accurate Statistical Information

A review was performed of the Agency's statistical information that is required to be submitted to AHC. The review revealed the following missing information from the statistical reports:

- The steps taken in the counseling session.
- Homeowner assistance income.
- Dates of the financial literacy classes offered by the Agency.

In addition, the review revealed that three of the monthly statistical reports were submitted after the 10th of the month. The late reports noted, were submitted on October 14, 2013, January 15, 2014, and March 19, 2014.

Section III of the contract, requires the Agency to submit statistical information by the 10th of each month. The report shall also include the steps that were taken in the counseling session, the homeowner's income, and dates of the financial literacy classes offered by the Agency.

The Agency appeared to not have adequate controls in place to ensure the timely submission and accurate completion of information on the statistical reports submitted to AHC.

Without the accurate completion and timely submission of these reports to AHC the Agency is not following the reporting requirements of the contract. In addition, AHC is not aware of the Agency efforts to ensure success of the program being funded.

Recommendations

It is recommended that the Agency implement procedures, such as a report schedule or supervisory review, to ensure that the statistical reports are submitted timely to the AHC by the 10th of the month. The reports should also include the steps that were taken in the counseling session, the homeowners assisted income, and the dates of Financial Literacy classes offered.

Management's Responses

Statistical report submitted was based on the reporting form for the Alliance. No updated report has been provided to the agency requesting additional information. We will follow up with the AHC to receive the necessary corrected reporting form. In regards to the late submission we will take necessary steps to ensure timely submission.

3. Opportunity To Improve Procedures For Partial Payment Of Mortgage Assistance

A review was performed of the client's mortgage documentation and the Agency's payments made to the lender. It was revealed that two of the four clients reviewed had mortgage payments due greater than the amount submitted to the lender by the Agency. The Agency made a partial payment for the mortgage balance; however, no evidence was present for the client's portion of the payment. Experience shows the lender will not accept partial payment.

The funds given by the client must be given in the form of a money order or cashier's check made out to the lender. Mortgage funds from the client and the Agency are sent directly to the lender. In addition, Section I (B) of the contract states that the Agencies role is to provide funds to bring the mortgage payment current.

It appears the Agency did not have adequate controls in place to ensure both the Agency's and client's payments were made for the total balance due.

Without both payments being made to the lender, the client may not be current on their mortgage payment. In addition, the Agency may not be meeting its objective and keeping the client from becoming delinquent on its mortgage payments.

Recommendations

It is recommended that the Agency implement controls, such as a supervisory review, to ensure that both the Agency and the client's partial payments are sent to the lender to bring the balance due current.

Management's Responses

In providing mortgage counseling the counselor will work with the client and lender to negotiate a workable solution that will remove the client from any threat of foreclosure allowing them to remain in their home. In these negotiations the counselor will determine with the lender the amount needed to obtain this resolution. If it is required to provide additional funds at the time of the agency payment, clients will be required to provide a money order or cashier's check before the payment agreement is processed and submitted to the fiscal office.